

## § 1.902-0

\$60,240 (\$60,240×\$125,500/\$125,500), but no foreign income tax is carried back to 1969 under section 904(d) since the allowable credit of \$60,240 does not exceed the limitation of \$60,240.

[T.D. 7294, 38 FR 33074, Nov. 30, 1973, as amended by T.D. 7481, 42 FR 20130, Apr. 18, 1977]

### § 1.902-0 Outline of regulations provisions for section 902.

This section lists the provisions under section 902.

*§ 1.902-1 Credit for domestic corporate shareholder of a foreign corporation for foreign income taxes paid by the foreign corporation.*

- (a) Definitions and special effective date.
  - (1) Domestic shareholder.
  - (2) First-tier corporation.
  - (3) Second-tier corporation.
  - (4) Third-tier corporation.
  - (5) Example.
  - (6) Upper- and lower-tier corporations.
  - (7) Foreign income taxes.
  - (8) Post-1986 foreign income taxes.
    - (i) In general.
  - (ii) Distributions out of earnings and profits accumulated by a lower-tier corporation in its taxable years beginning before January 1, 1987, and included in the gross income of an upper-tier corporation in its taxable year beginning after December 31, 1986.
  - (iii) Foreign income taxes paid or accrued with respect to high withholding tax interest.
- (9) Post-1986 undistributed earnings.
  - (i) In general.
- (ii) Distributions out of earnings and profits accumulated by a lower-tier corporation in its taxable years beginning before January 1, 1987, and included in the gross income of an upper-tier corporation in its taxable year beginning after December 31, 1986.
- (iii) Reduction for foreign income taxes paid or accrued.
- (iv) Special allocations.
- (10) Pre-1987 accumulated profits.
  - (i) Definition.
  - (ii) Computation of pre-1987 accumulated profits.
  - (iii) Foreign income taxes attributable to pre-1987 accumulated profits.
- (11) Dividend.
- (12) Dividend received.
- (13) Special effective date.
  - (i) Rule.
  - (ii) Example.
- (b) Computation of foreign income taxes deemed paid by a domestic shareholder, first-tier corporation, and second-tier corporation.
  - (1) General rule.

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- (2) Allocation rule for dividends attributable to post-1986 undistributed earnings and pre-1987 accumulated profits.
- (i) Portion of dividend out of post-1986 undistributed earnings.
- (ii) Portion of dividend out of pre-1987 accumulated profits.
- (3) Dividends paid out of pre-1987 accumulated profits.
- (4) Deficits in accumulated earnings and profits.
- (5) Examples.
- (c) Special rules.
  - (1) Separate computations required for dividends from each first-tier and lower-tier corporation.
    - (i) Rule.
    - (ii) Example.
  - (2) Section 78 gross-up.
    - (i) Foreign income taxes deemed paid by a domestic shareholder.
    - (ii) Foreign income taxes deemed paid by an upper-tier corporation.
  - (iii) Example.
  - (3) Creditable foreign income taxes.
  - (4) Foreign mineral income.
  - (5) Foreign taxes paid or accrued in connection with the purchase or sale of certain oil and gas.
  - (6) Foreign oil and gas extraction income.
  - (7) United States shareholders of controlled foreign corporations.
  - (8) Credit for foreign taxes deemed paid in a section 304 transaction.
  - (9) Effect of section 482 adjustments on post-1986 foreign income taxes and post-1986 undistributed earnings.
- (d) Dividends from controlled foreign corporations.
  - (1) General rule.
  - (2) Look-through.
  - (i) Dividends.
    - (ii) Coordination with section 960.
  - (3) Dividends distributed out of earnings accumulated before a controlled foreign corporation became a controlled foreign corporation.
- (i) General rule.
- (ii) Dividend distributions out of earnings and profits for a year during which a shareholder that is currently a more-than-90-percent United States shareholder of a controlled foreign corporation was not a United States shareholder of the controlled foreign corporation.
- (e) Information to be furnished.
- (f) Examples.
- (g) Effective date.

*§ 1.902-2 Treatment of deficits in post-1986 undistributed earnings and pre-1987 accumulated profits of a first-, second-, or third-tier corporation for purposes of computing an amount of foreign taxes deemed paid § 1.902-1.*

- (a) Carryback of deficits in post-1986 undistributed earnings of a first-, second-, or

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third-tier corporation to pre-effective date taxable years.

- (1) Rule.
- (2) Examples.
- (b) Carryforward of deficits in pre-1987 accumulated profits of a first-, second-, or third-tier corporation to post-1986 undistributed earnings for purposes of section 902.
  - (1) General rule.
  - (2) Effect of pre-effective date deficit.
  - (3) Examples.

*§ 1.902-3 Credit for domestic corporate shareholder of a foreign corporation for foreign income taxes paid with respect to accumulated profits of taxable years of the foreign corporation beginning before January 1, 1987.*

- (a) Definitions.
  - (1) Domestic shareholder.
  - (2) First-tier corporation.
  - (3) Second-tier corporation.
  - (4) Third-tier corporation.
  - (5) Foreign income taxes.
  - (6) Dividend.
  - (7) Dividend received.
- (b) Domestic shareholder owning stock in a first-tier corporation.
  - (1) In general.
  - (2) Amount of foreign taxes deemed paid by a domestic shareholder.
- (c) First-tier corporation owning stock in a second-tier corporation.
  - (1) In general.
  - (2) Amount of foreign taxes deemed paid by a first-tier corporation.
- (d) Second-tier corporation owning stock in a third-tier corporation.
  - (1) In general.
  - (2) Amount of foreign taxes deemed paid by a second-tier corporation.
- (e) Determination of accumulated profits of a foreign corporation.
- (f) Taxes paid on or with respect to accumulated profits of a foreign corporation.
- (g) Determination of earnings and profits of a foreign corporation.
  - (1) Taxable year to which section 963 does not apply.
  - (2) Taxable year to which section 963 applies.
  - (3) Time and manner of making choice.
  - (4) Determination by district director.
- (h) Source of income from first-tier corporation and country to which tax is deemed paid.
  - (1) Source of income.
  - (2) Country to which taxes deemed paid.
- (i) United Kingdom income taxes paid with respect to royalties.
- (j) Information to be furnished.
- (k) Illustrations.
- (l) Effective date.

*§ 1.902-4 Rules for distributions attributable to accumulated profits for taxable years in which a first-tier corporation was a less developed country corporation.*

- (a) In general.
- (b) Combined distributions.
- (c) Distributions of a first-tier corporation attributable to certain distributions from second- or third-tier corporations.
- (d) Illustrations.

[T.D. 8708, 62 FR 927, Jan. 7, 1997]

### **§ 1.902-1 Credit for domestic corporate shareholder of a foreign corporation for foreign income taxes paid by the foreign corporation.**

(a) *Definitions and special effective date.* For purposes of section 902, this section, and § 1.902-2, the definitions provided in paragraphs (a) (1) through (12) of this section and the special effective date of paragraph (a)(13) of this section apply.

(1) *Domestic shareholder.* In the case of dividends received by a domestic corporation from a foreign corporation after December 31, 1986, the term domestic shareholder means a domestic corporation, other than an S corporation as defined in section 1361(a), that owns at least 10 percent of the voting stock of the foreign corporation at the time the domestic corporation receives a dividend from that foreign corporation.

(2) *First-tier corporation.* In the case of dividends received by a domestic shareholder from a foreign corporation in a taxable year beginning after December 31, 1986, the term first-tier corporation means a foreign corporation, at least 10 percent of the voting stock of which is owned by a domestic shareholder at the time the domestic shareholder receives a dividend from that foreign corporation. The term first-tier corporation also includes a DISC or former DISC, but only with respect to dividends from the DISC or former DISC that are treated under sections 861(a)(2)(D) and 862(a)(2) as income from sources without the United States.

(3) *Second-tier corporation.* In the case of dividends paid to a first-tier corporation by a foreign corporation in a taxable year beginning after December 31, 1986, the foreign corporation is a second-tier corporation if, at the time a first-tier corporation receives a dividend from that foreign corporation, the